

IRS News Release

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IRS Moves to Prevent Telephone Tax Refund Abuse; Help Taxpayers Make Accurate Requests

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WASHINGTON — The Internal Revenue Service announced today it is taking additional steps to prevent abuse by tax preparers and help taxpayers make accurate requests for the one-time telephone excise tax refund.

This week, IRS Criminal Investigation special agents and IRS revenue agents are conducting special site visits with tax preparers across the nation to prevent inflated requests made for the one-time telephone tax refund. Visits began this week to 22 different tax preparers who have handled more than 1,500 tax returns.

“We are taking this unusual step to confront blatant abuse of this important refund program,” said IRS Commissioner Mark W. Everson. “We want tax preparers to prepare accurate tax returns. If they don’t, we will move swiftly to impose civil penalties and, where warranted, seek criminal sanctions.”

The government stopped collecting the long-distance excise tax last August after several federal court decisions held that the tax does not apply to long-distance service as it is billed today. The IRS also authorized a one-time refund of the federal excise tax collected on service billed during the previous 41 months, stretching from the beginning of March 2003 to the end of July 2006. The tax continues to apply to local-only phone service.

The IRS has monitored telephone excise tax refund requests for potential problems since the tax-filing season opened in early January. The IRS has seen some problems with returns from tax preparers that may indicate criminal intent.

Some tax-return preparers are requesting thousands of dollars of refunds for their clients in instances where clients are entitled to only a tiny fraction of that amount. In some cases, taxpayers requested a refund in the thousands of dollars, suggesting that the taxpayer paid more for telephone service than they received in income. In several instances, taxpayers requested a refund of \$30,000 – hundreds of times of what could be reasonably expected. Some refund requests appear to be for the entire amount of the taxpayer’s phone bill, rather than just the three-percent long-distance tax.

Taxpayers who request more of a refund than they are entitled to receive will have their refunds held and they may be subject to an audit.

To make the refund easier to figure, the IRS established a standard refund amount, based on personal exemptions, ranging from \$30 to \$60. If taxpayers have phone bills and other records, they can request the actual amount of excise tax paid. Though using the standard amount is optional, it is easy to figure and approximates the eligible amount for most individual taxpayers. You only have to fill out one line on your return, and you don't need to present proof to the IRS.

At the same time, the IRS issued a new reminder today for taxpayers who are not filing for the refund even though they may qualify. In early returns filed this year, more than one-third of early filers did not request the telephone tax refund. Other taxpayers are making mistakes when requesting the refund. The IRS encourages taxpayers to see if they qualify for the telephone tax refund and to make sure they fill out tax returns accurately and completely.

The best and most reliable information on this refund can be found in the Telephone Excise Tax Refund section on the front page of IRS.gov, the tax agency's popular Web site. Here, taxpayers can download forms, find answers to frequently-asked questions and link to participating private-sector Free File partners offering free electronic-filing services.